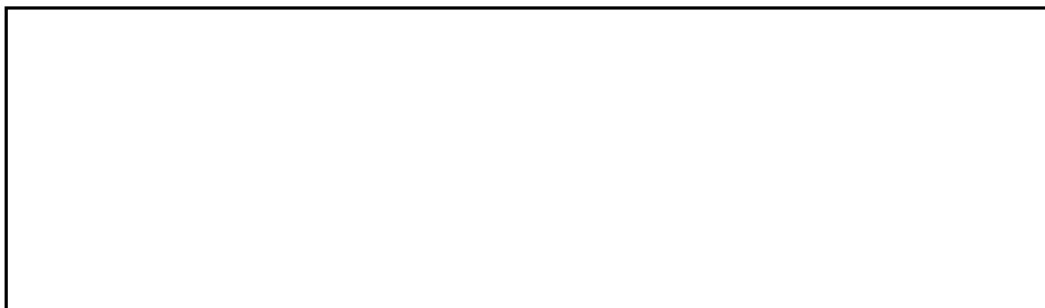


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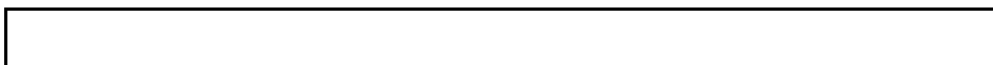


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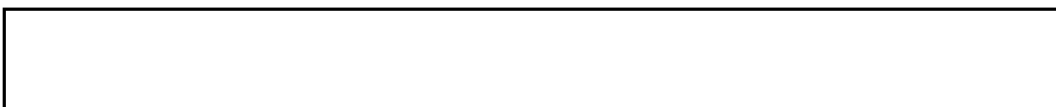
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Parties of the French Left Alliance Hold  
Summit Today

Leaders of the French Union of the Left Alliance--Communists, Socialists, and Left Radicals--meet today for their first formal summit-level conference in more than a year. The parties disagree over several important issues that are likely to be discussed. A common desire to preserve the alliance, however, seems likely to produce a superficial statement of accord and an agreement to establish working groups to review conflicting positions.

The meeting was agreed to last month when tensions between the Socialists and Communists appeared to have eased following Socialist leader Francois Mitterrand's visit to Moscow in late April. Early this month, however, the closure of the Portuguese newspaper Republica in Lisbon sparked a renewed dispute between the parties over the touchy issues of freedom of the press and communist attitudes toward pluralism.

The Republica affair, which continues to divide Portuguese Communists and Socialists, seems certain to bedevil today's meeting. French Communists strongly support the Portuguese Communists while French Socialists still back their sister party in Lisbon.

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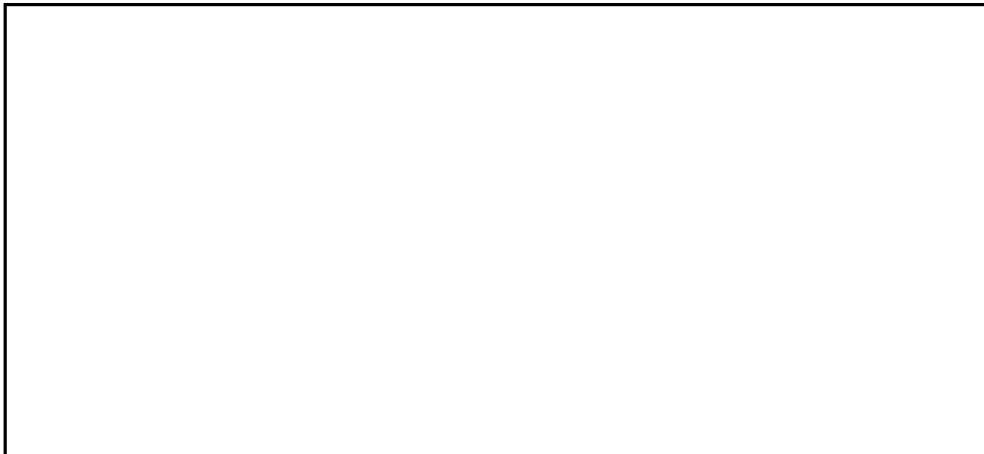
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Earlier this month the president of the Left Radicals, Robert Fabre, announced that his party intended to assert itself at the summit. Complaining that debates in the Left Alliance have until now been too often confined to "exchanges of ideological views between the Communists and Socialists," Fabre said the Left Radicals would propose their own topics of discussion this time. Without specifying the subjects he had in mind, he indicated that they would fall into two categories: concrete joint actions and strategy for making the Left more "credible."

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British Referendum Strengthens Danish EC  
Support

According to an opinion poll taken one week after the British referendum, the Danes are firmly in favor of continued membership in the EC.

The poll showed that popular support for EC membership is stronger now than it was in 1972 when Denmark joined the EC. The 1972 referendum which carried Denmark into the EC showed 57 percent in favor and 33 percent opposed to Danish entry. The latest poll indicated that 61 percent wanted Denmark to remain in the EC, 31 percent favored withdrawal, and 8 percent were undecided.

This is a marked reversal of polls taken in the past two years which have registered consistent majorities favoring withdrawal from the EC. A Gallup poll in late April, for example, indicated that 74 percent favored withdrawal if the UK voted to leave the EC. The Danes have until now tended to blame the country's economic problems on EC membership. They look wishfully at the Norwegians who rejected EC membership in their own referendum and whose economy is booming. The British decision to remain in the EC despite their deteriorating economic situation, has apparently buoyed the Danes.

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Canadian Nuclear Cooperation with Pakistan  
Hits Snag

Canada's insistence on stricter safeguards for nuclear technology and equipment desired by Pakistan has led to a deadlock in negotiations for a new accord covering cooperation on nuclear energy. Pakistan has refused to accept Ottawa's tougher conditions, labeling them as "discriminatory." This has prompted Ottawa to delay shipment of a fuel rod fabrication facility and to reject Pakistan's request for a supplemental credit of \$2 million.

The Trudeau government is still smarting from harsh public criticism of its role in providing India with the reactor used to produce plutonium for India's first nuclear device and is determined to prevent a similar situation from developing. In the negotiations with Pakistan, which have been under way since last fall, the Canadians are insisting on stricter safeguards than those imposed on sales to India.

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Canada has made clear to Pakistan that further service and materials sales depend upon acceptance of stricter controls, but Pakistan may search for alternative sources of supply rather than submit to Canadian restrictions.

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Neither Borrowers Nor Lenders Yet for  
EC Facility

Potential lenders and borrowers are showing marked caution about implementing a common EC borrowing facility that the Council voted to establish earlier this year.

The EC finance ministers on June 16 authorized the Commission to undertake formal negotiations to borrow \$1 billion from OPEC countries, following up the Commission's informal soundings in Venezuela and Saudi Arabia earlier this year. The EC would like to borrow \$500-\$700 million from Saudi Arabia and \$200-\$300 million from Kuwait; the balance would come from Venezuela and possibly from other OPEC countries. The commissioner for financial affairs will visit Kuwait on June 21-22. The money will be made available to EC members facing balance of payments problems, with repayment guaranteed by the community.

Both Venezuela and Saudi Arabia have become progressively cooler to the EC borrowing efforts since the initial approaches were made earlier this year. Kuwait has made no commitment.

During earlier EC discussions of the common borrowing facility, Denmark, Italy, Ireland, and the UK were singled out as potential borrowers, but none has made a specific request. Commission negotiations with potential lenders are hampered by the absence of loan applications. Potential borrowers, however, are leery of moving ahead until specific terms are known.

Ireland seems to be in the forefront of those planning to seek a loan. The Irish finance

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minister reportedly will apply for \$200 million from the facility when he returns from a trip to the Middle East, if he is unable to come up with more attractive credits on a bilateral basis. Italy is also reportedly actively considering a request.

West Germany, the rich uncle of the EC, poses another hurdle to implementing of the facility. Because of the major role it plays in the EC loan guarantees, Bonn wants to scrutinize the conditions for the loan to ensure that the applicant indeed faces balance of payments difficulties and is creditworthy. [REDACTED]

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EC Considers Common Positions on UN Questions

The EC Political Directors, at their Dublin meeting this week, made use of two reports--one prepared by the UN ambassadors of the Nine, the other by the several foreign offices--in examining UN-related questions. It was generally agreed that while the EC does coordinate more effectively each year, efforts should be made to further improve the process. Accordingly, the EC's UN ambassadors will be instructed to consult more frequently and take up important issues earlier than has been the case in the past.

If greater coordination is, in fact, undertaken, bloc-voting by EC members could become more frequent. Heretofore, such unanimity has not always been of significant political consequence; in cases where it might have been, the EC members were seldom in agreement. The General Assembly takes up several issues of major importance to US policy objectives this fall and the US Embassy in Dublin has recommended that the US consult with the EC as soon as possible.

One such critical matter concerns expected moves to expel Israel from the UN, and Washington is awaiting a response from the UK regarding consultations with the EC on possible joint efforts to avert such a suspension. The UK political counselor earlier this week promised to try to expedite an answer. He suggested that US-EC talks begin before the end of June while Ireland still holds the EC Presidency.

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Although the Nine have often disagreed when specific UN matters are considered, they appeared in Dublin to reach some consensus on attitudes toward the "Third World". In the context of a draft declaration on the UN, to be delivered this fall, the Nine will indicate their readiness to adopt a more understanding position toward LDC demands in return for a more realistic negotiating stance on their part.

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Petrodollar Diplomacy at the UN

Confirmation of the ability of the Arabs, backed by their oil wealth, to garner votes in international forums was illustrated at two widely separated meetings this week.

At the International Labor Conference now meeting in Geneva, the Arab-supported move to grant observer status to the Palestine Liberation Organization passed with the overwhelming support of the membership. In a key initial roll-call vote, no delegate from a black African country--including worker and employer representatives as well as government delegates--voted against the proposal.

The Arabs are also supporting PLO motions at the meeting of Asian and West African countries now being held in Tehran to prepare for the 1976 UN Conference on Human Settlements. The PLO representative has introduced a number of inflammatory resolutions dealing with forced migration of populations--the point of which may ultimately be to ban Israel from attending the conference. The poorer Asian countries are supporting the Arabs in the hope that they will receive substantial financial assistance from the wealthy Arab states.

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Resistance to Early Agreements in Trade  
Negotiations

US efforts to achieve early results in the Geneva trade negotiations through agreements on some of the less contentious topics is meeting with considerable skepticism from most developed countries.

Some of the resistance to the US approach, especially from the EC, is based on the concern that setting individual deadlines for such topics as international standards, countervailing duties, or government procurement would rule out using these issues as leverage in a later overall settlement.

Despite general sympathy for the idea of keeping the negotiating momentum going during a period of difficult economic conditions, some countries are reluctant to make concessions without their major interests being satisfied. Australia, for example, needs concessions on agriculture before it will agree to early agreements on other matters.

The Japanese are flatly opposed to negotiating a "small package" by early next year. They still believe it more realistic to reach an agreement on as large a package as possible, covering the entire trade negotiations. Echoing the feelings of other developed countries, the Japanese argue that a failure of the "small package" talks would put the whole negotiation in jeopardy.

The developing countries are generally enthusiastic about early agreements, especially on tropical products, where they are to receive special consideration. Making progress on

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tropical products could also serve to diminish the threat of a confrontation between the developed and developing countries in other forums.

The tropical products issue, however--which is being addressed currently by a negotiating group in Geneva--will pose its own problems. For example, some developing countries would like to include in these negotiations products that are clearly not tropical. Moreover, some developing states want a multilateral review of the offers made by the developed countries, a position currently at odds with the bilateral approach the latter now advocate.

The developing countries are also likely to insist that special consideration be given to them in all phases of the trade negotiations in order to ensure better access for their products in developed-country markets.

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Labor Gains in Spain

Spanish opposition sources are claiming a landslide victory for underground leftist labor groups in the nationwide labor elections being held this month.

Early returns from balloting for labor representatives in industrial plants in Madrid and Barcelona indicate that candidates backed by the Communist-dominated Workers' Commissions and other left-wing clandestine organizations have captured more than 50 percent of the union posts. A government spokesman said claims of a landslide are exaggerated but admitted substantial gains among non-government candidates.

The clandestine unions' tactics of infiltrating the official system by presenting their own candidates brought worker turnout for the elections to nearly 90 percent in contrast to the half-hearted participation in previous years. The worker representatives will negotiate with management and elect delegates to various bodies of the Syndical Organization--Spain's only legal labor organization. All top officials, however, are still appointed by the government.

The Workers' Commissions have tried the infiltration tactic in several previous elections. Following the 1966 election, the government purged the commission members that had gained representation, but was more tolerant in 1972. The strong showing of non-government candidates this year will undoubtedly cause serious problems for the Arias government, which has been trying to reduce labor strife at home and criticism

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abroad by making the official Syndical Organization more appealing to workers. Now Arias will come under considerable pressure from conservatives in the government and the Syndical Organization to declare invalid the election of any known Communists, if not of all non-government candidates.

The clandestine labor unions are also moving to promote labor representation in the post-Franco period by joining the clandestine political coalitions now being formed. The Workers' Commissions are represented in the Democratic Junta, a coalition of Communists and moderate leftists which was formed in Paris last July in an effort to influence the post-Franco transition by filling the vacuum caused by the lack of strong political parties in Spain.

Anti-Communist labor groups such as the Socialist General Workers Union and the Basque area Workers' Commission have joined the rival Democratic Conference, which was formally organized in Madrid last week after months of informal meetings. Also included is the Catholic extremist Revolutionary Workers' Organization, the principal Catholic component of the Communist-dominated Workers' Commissions. These labor groups are joined in the Democratic Conference by a wide range of opposition political parties, including four Socialist parties, five Christian Democratic groups, a radical Communist faction, and several regional parties.

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Parliament Elects New Greek President

Prime Minister Karamanlis' handpicked candidate, Constantine Tsatsos, a new Democracy deputy-at-large, was elected president of Greece yesterday by a parliamentary vote of 210 to 65. Tsatsos, respected as an academician, is not expected to assume the prerogatives granted constitutionally to the chief of state; these will be exercised by Karamanlis as prime minister.

Karamanlis had asked his deputies to vote for the 76-year-old Tsatsos. Only four New Democracy deputies flouted party discipline and cast ballots for the candidate put forward by the opposition, former prime minister Panayiotis Kanellopoulos, who is not connected with a political party. Papandreou's Panhellenic Socialist movement and the two wings of the Communist party cast blank ballots as a protest against the sweeping powers of the president under the recently adopted constitution.

It is generally believed that Tsatsos will step down in a year or two when external and internal pressures may be less. Karamanlis would then have himself elected to a full five-year term as president. The opposition objects that this would carry Karamanlis beyond the next parliamentary elections, scheduled for 1978, and permit him to control the government even if his party lost the election or saw its majority seriously eroded.

Tsatsos, who was the principal architect of the new constitution, has been closely linked with Karamanlis during his long political career. He is considered a close associate and is unlikely to challenge Karamanlis' leadership.

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Moscow Pushes for July 22 CSCE Summit

Soviet party leader Brezhnev has sent letters to the heads of major Western countries proposing that a summit meeting begin on July 22 to cap the European security conference. The EC foreign ministers will meet in Luxembourg on June 24, at which time they will probably suggest July 28 as a more likely a date for the Helsinki summit conference.

In proposing a specific date, the Soviets want to put pressure on the West to conclude the conference before the August vacation period. The Finns have let it be known that they will require four weeks advance notice to complete preparations for the Helsinki summit.

Moscow would like to avoid spinning out the conference into October or November, which would be likely if it is not concluded in July. A postponement would complicate Brezhnev's calendar, particularly his projected visit to the US, but, more importantly, the longer the conference drags on the greater the chances that the Soviets will be under pressure to make more tangible concessions or that developments in countries such as Portugal will give the West second thoughts. The Soviets have already achieved their principal objectives in the conference, so that the sooner it is over, the better.

In recent weeks, Soviet concessions have facilitated agreement on many substantive problems at the working level. There is now a general consensus that the present phase of the conference could be completed in time to permit

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a finale next month if agreement can be reached on remaining issues such as military-related confidence-building measures, follow-on meetings, quadripartite rights in Berlin and Germany, and Cypriot representation at the summit.

Last week the French, who have opposed any follow-on session before 1978, agreed to a revised Danish proposal calling for senior officials to meet in the second half of 1977. A preparatory meeting at the technical level could be held no more than two months earlier. In addition to approving this compromise, the Nine agreed to allow any state to convene an ad hoc experts meeting, but only on a basis of consensus.

The caucus of neutral states tomorrow will introduce their long-awaited compromise on confidence-building measures, especially the question of advance notification of military maneuvers. Both the West and the Soviets will probably accept the neutral's proposals on how much advance notice must be provided and on the size and location of maneuvers. The West is expected to resist additional provisions for separate, lower thresholds for amphibious maneuvers, but a compromise seems possible.

NATO member states will insist that agreement must be reached on confidence-building measures, as well as on the saving clause on quadripartite rights, before a date can be set for the Helsinki summit. A July summit may also prove impossible if Maltese Prime Minister Mintoff continues to demand inclusion of his proposal that the US and the Soviets withdraw their forces from the Mediterranean.

Turkish demands that the Turkish Cypriot community be represented in the Cypriot delegation and objections to the presence of Makarios at Helsinki still pose a major stumbling block to

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a July summit. A Turkish delegate to the talks has informally suggested four possible solutions:

- Cyprus would not be represented at the Helsinki summit but would sign the documents after a legitimate government has been formed,
- Greek and Turkish Cypriot leaders would jointly select a third person to represent Cyprus,
- The two leaders of the Greek and Turkish Cypriot communities would attend "on an equal footing," or
- If the Derktash proposal for an interim government were accepted, a delegation could then be designated by the interim government.

Western delegates seriously doubt that Makarios can be persuaded to absent himself from the summit and are hoping that the parties concerned can work out a solution by themselves. Yugoslavia and Finland, meanwhile, have been approached to use their good offices to help break the impasse.

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